

110TH CONGRESS
1ST SESSION

S. 1256

To amend the Small Business Act to reauthorize loan programs under that Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 1, 2007

Mr. KERRY (for himself, Ms. SNOWE, and Mr. LEVIN) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

A BILL

To amend the Small Business Act to reauthorize loan programs under that Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Lend-
5 ing Reauthorization and Improvements Act of 2007”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents of this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.
- Sec. 4. Authorization of appropriations.

- Sec. 101. Conforming technical change in average smaller loan size.
- Sec. 102. Inclusion of persons with disabilities.
- Sec. 103. Microloan program improvements.
- Sec. 104. PRIME reauthorization and transfer to the Small Business Act.

TITLE II—INTERMEDIARY LENDING PILOT PROGRAM

- Sec. 201. Findings.
- Sec. 202. Small business intermediary lending pilot program.

TITLE III—7(a) LOAN PROGRAM

- Sec. 301. Preferred lenders program.
- Sec. 302. Maximum loan amount.
- Sec. 303. Maximum 504 and 7(a) loan eligibility.
- Sec. 304. Loan pooling.
- Sec. 305. Alternative size standard.
- Sec. 306. Alternative variable interest rate.
- Sec. 307. Minority small business development.
- Sec. 308. Lowering of fees.
- Sec. 309. International trade loans.
- Sec. 310. Rural lending outreach program.

TITLE IV—CERTIFIED DEVELOPMENT COMPANIES; 504 LOAN PROGRAM

- Sec. 401. Development company loan programs.
- Sec. 402. Loan liquidations.
- Sec. 403. Additional equity injections.
- Sec. 404. Businesses in low-income areas.
- Sec. 405. Combinations of certain goals.
- Sec. 406. Refinancing under the Local Development Business Loan Program.
- Sec. 407. Technical correction.
- Sec. 408. Definitions for the Small Business Investment Act of 1958.
- Sec. 409. Repeal of sunset on reserve requirements for premier certified lenders.
- Sec. 410. Certified development companies.
- Sec. 411. Conforming amendments.
- Sec. 412. Closing costs.
- Sec. 413. Definition of rural.
- Sec. 414. Regulations and effective date.
- Sec. 415. Limitation on time for final approval of companies.
- Sec. 416. Child Care Lending Pilot Program.

1 **SEC. 3. DEFINITIONS.**

2 In this Act—

- 3 (1) the terms “Administration” and “Adminis-
- 4 trator” mean the Small Business Administration
- 5 and the Administrator thereof, respectively;

1 (2) the term “504 Loan Program” means the
 2 program to provide financing to small business con-
 3 cerns by guarantees of loans under title V of the
 4 Small Business Investment Act of 1958 (15 U.S.C.
 5 695 et seq.), which are funded by debentures guar-
 6 anteed by the Administrator; and

7 (3) the term “small business concern” has the
 8 meaning given that term in section 3 of the Small
 9 Business Act (15 U.S.C. 632).

10 **SEC. 4. AUTHORIZATION OF APPROPRIATIONS.**

11 Section 20 of the Small Business Act (15 U.S.C. 631
 12 note) is amended—

13 (1) by redesignating subsection (j) as sub-
 14 section (f); and

15 (2) by adding at the end the following:

16 “(g) MICROLOAN.—For each of fiscal years 2007
 17 through 2010, the Administration is authorized to make,
 18 as provided in section 7(m)—

19 “(1) \$80,000,000 in technical assistance grants;

20 “(2) \$110,000,000 in direct loans; and

21 “(3) \$50,000,000 in deferred participation
 22 loans.

23 “(h) GENERAL BUSINESS LOANS.—The Administra-
 24 tion is authorized to make, as provided in section 7(a)—

1 “(1) \$18,000,000,000 in general business loans
2 in fiscal year 2007;

3 “(2) \$19,000,000,000 in general business loans
4 in fiscal year 2008;

5 “(3) \$20,000,000,000 in general business loans
6 in fiscal year 2009; and

7 “(4) \$21,000,000,000 in general business loans
8 in fiscal year 2010.

9 “(i) CERTIFIED DEVELOPMENT COMPANY
10 FINANCINGS.—The Administration is authorized to make,
11 as provided in section 7(a)(13) and as provided in section
12 504 of the Small Business Investment Act of 1958 (15
13 U.S.C. 697a)—

14 “(1) \$8,000,000,000 in certified development
15 company financings in fiscal year 2007;

16 “(2) \$8,500,000,000 in certified development
17 company financings in fiscal year 2008;

18 “(3) \$9,000,000,000 in certified development
19 company financings in fiscal year 2009; and

20 “(4) \$9,500,000,000 in certified development
21 company financings in fiscal year 2010.

22 “(j) DEPARTMENT OF DEFENSE.—For each of fiscal
23 years 2007 through 2010, the Administration is author-
24 ized to make \$500,000,000 in loans as provided in section
25 7(a)(21).

1 “(k) PRIME PROGRAM.—

2 “(1) IN GENERAL.—There are authorized to be
3 appropriated to the Administrator \$15,000,000 for
4 each of fiscal years 2007 through 2010 to carry out
5 section 37, which shall remain available until ex-
6 pended.

7 “(2) CERTAIN PROGRAMS.—In addition to the
8 amount authorized under paragraph (1), there are
9 authorized to be appropriated to the Administrator
10 \$2,000,000 each of fiscal years 2007 through 2010
11 to carry out section 37(c)(4), which shall remain
12 available until expended.

13 “(l) ADDITIONAL AUTHORIZATIONS AND LIMITA-
14 TIONS.—

15 “(1) IN GENERAL.—There are authorized to be
16 appropriated to the Administration for each of fiscal
17 years 2007 through 2010 such sums as may be nec-
18 essary to carry out the provisions of this Act not
19 elsewhere provided for, including administrative ex-
20 penses and necessary loan capital for disaster loans
21 pursuant to section 7(b), and to carry out the Small
22 Business Investment Act of 1958, including salaries
23 and expenses of the Administration.

1 “(2) LIMITATIONS.—Notwithstanding any other
2 provision of this section, for each of fiscal years
3 2007 through 2010—

4 “(A) no funds are authorized to be used as
5 loan capital for the loan program authorized by
6 section 7(a)(21) in any such fiscal year, except
7 by transfer from another Federal department or
8 agency to the Administration, unless the pro-
9 gram level authorized for general business loans
10 under subsection (h) is fully funded for that fis-
11 cal year; and

12 “(B) the Administration may not approve
13 loans on its own behalf or on behalf of any
14 other Federal department or agency, by con-
15 tract or otherwise, under terms and conditions
16 other than those specifically authorized under
17 this Act or the Small Business Investment Act
18 of 1958, except that it may approve loans under
19 section 7(a)(21) of this Act in gross amounts of
20 not more than \$2,000,000.”.

TITLE I—MICROLOAN PROGRAMS

SEC. 101. CONFORMING TECHNICAL CHANGE IN AVERAGE SMALLER LOAN SIZE.

Section 7(m) of the Small Business Act (15 U.S.C. 636(m)) is amended—

(1) in paragraph (3)(F)(iii), by striking “\$7,500” and inserting “\$10,000”; and

(2) in paragraph (6)(C), by striking “\$7,500” each place that term appears and inserting “\$10,000”.

SEC. 102. INCLUSION OF PERSONS WITH DISABILITIES.

Section 7(m)(1)(A)(i) of the Small Business Act (15 U.S.C. 636(m)(1)(A)(i)) is amended by inserting “persons with disabilities,” before “and minority”.

SEC. 103. MICROLOAN PROGRAM IMPROVEMENTS.

(a) INTERMEDIARY ELIGIBILITY REQUIREMENTS.—

Section 7(m)(2) of the Small Business Act (15 U.S.C. 636(m)(2)) is amended—

(1) in subparagraph (A), by striking “in paragraph (10); and” and inserting “of the term ‘intermediary’ under paragraph (11);”; and

(2) in subparagraph (B)—

(A) by striking “(B) has at least” and inserting the following:

1 “(B) has—

2 “(i) at least”; and

3 (B) by striking the period at the end and
4 inserting the following: “; or

5 “(ii) a full-time employee who has not
6 less than 3 years experience making
7 microloans to startup, newly established, or
8 growing small business concerns; and

9 “(C) has at least 1 year experience pro-
10 viding, as an integral part of its microloan pro-
11 gram, intensive marketing, management, and
12 technical assistance to its borrowers.”.

13 (b) LIMITATION ON THIRD PARTY TECHNICAL AS-
14 SISTANCE.—Section 7(m)(4)(E)(ii) of the Small Business
15 Act (15 U.S.C. 636(m)(4)(E)(ii)) is amended—

16 (1) in the clause heading, by striking “TECH-
17 NICAL ASSISTANCE” and inserting “THIRD PARTY
18 TECHNICAL ASSISTANCE”; and

19 (2) by striking “25 percent” and inserting “30
20 percent”.

21 (c) LOAN TERMS.—Section 7(m) of the Small Busi-
22 ness Act (15 U.S.C. 636(m)) is amended—

23 (1) in paragraph (1)(B)(i), by striking “short-
24 term,”; and

1 (2) in paragraph (11)(B), by striking “short-
2 term,”.

3 (d) INCREASED FLEXIBILITY FOR PROVIDING TECH-
4 NICAL ASSISTANCE TO POTENTIAL BORROWERS.—Section
5 7(m)(4)(E)(i) of the Small Business Act (15 U.S.C.
6 636(m)(4)(E)(i)) is amended by striking “25 percent” and
7 inserting “30 percent”.

8 **SEC. 104. PRIME REAUTHORIZATION AND TRANSFER TO**
9 **THE SMALL BUSINESS ACT.**

10 (a) PROGRAM REAUTHORIZATION.—The Small Busi-
11 ness Act (15 U.S.C. 631 et seq.) is amended—

12 (1) by redesignating section 37 as section 39;
13 and

14 (2) by inserting after section 36 the following:

15 **“SEC. 37. PROGRAM FOR INVESTMENT IN MICROENTRE-**
16 **PRENEURS.**

17 “(a) DEFINITIONS.—In this section:

18 “(1) CAPACITY BUILDING SERVICES.—The term
19 ‘capacity building services’ means services provided
20 to an organization that is, or that is in the process
21 of becoming, a microenterprise development organi-
22 zation or program, for the purpose of enhancing its
23 ability to provide training and services to disadvan-
24 taged entrepreneurs.

1 “(2) COLLABORATIVE.—The term ‘collabo-
2 rative’ means 2 or more nonprofit entities that agree
3 to act jointly as a qualified organization under this
4 section.

5 “(3) DISADVANTAGED ENTREPRENEUR.—The
6 term ‘disadvantaged entrepreneur’ means a micro-
7 entrepreneur that—

8 “(A) is a low-income person;

9 “(B) is a very low-income person; or

10 “(C) lacks adequate access to capital or
11 other resources essential for business success,
12 or is economically disadvantaged, as determined
13 by the Administrator.

14 “(4) DISADVANTAGED NATIVE AMERICAN EN-
15 TREPRENEUR.—The term ‘disadvantaged Native
16 American entrepreneur’ means a disadvantaged en-
17 trepreneur who is also a member of an Indian Tribe.

18 “(5) INDIAN TRIBE.—The term ‘Indian tribe’
19 has the meaning given that term in section 4(a) of
20 the Indian Self-Determination and Education Assist-
21 ance Act.

22 “(6) INTERMEDIARY.—The term ‘intermediary’
23 means a private, nonprofit entity that seeks to serve
24 microenterprise development organizations and pro-
25 grams, as authorized under subsection (d).

1 “(7) LOW-INCOME PERSON.—The term ‘low-in-
2 come person’ means having an income, adjusted for
3 family size, of not more than—

4 “(A) for metropolitan areas, 80 percent of
5 the area median income; and

6 “(B) for nonmetropolitan areas, the great-
7 er of—

8 “(i) 80 percent of the area median in-
9 come; or

10 “(ii) 80 percent of the statewide non-
11 metropolitan area median income.

12 “(8) MICROENTREPRENEUR.—The term ‘micro-
13 entrepreneur’ means the owner or developer of a
14 microenterprise.

15 “(9) MICROENTERPRISE.—The term ‘micro-
16 enterprise’ means a sole proprietorship, partnership,
17 or corporation that—

18 “(A) has fewer than 5 employees; and

19 “(B) generally lacks access to conventional
20 loans, equity, or other banking services.

21 “(10) MICROENTERPRISE DEVELOPMENT ORGA-
22 NIZATION OR PROGRAM.—The term ‘microenterprise
23 development organization or program’ means a non-
24 profit entity, or a program administered by such an
25 entity, including community development corpora-

1 tions or other nonprofit development organizations
2 and social service organizations, that provides serv-
3 ices to disadvantaged entrepreneurs.

4 “(11) TRAINING AND TECHNICAL ASSIST-
5 ANCE.—The term ‘training and technical assistance’
6 means services and support provided to disadvan-
7 tagged entrepreneurs, such as assistance for the pur-
8 pose of enhancing business planning, marketing,
9 management, financial management skills, and as-
10 sistance for the purpose of accessing financial serv-
11 ices.

12 “(12) VERY LOW-INCOME PERSON.—The term
13 ‘very low-income person’ means having an income,
14 adjusted for family size, of not more than 150 per-
15 cent of the poverty line (as defined in section 673(2)
16 of the Community Services Block Grant Act (42
17 U.S.C. 9902(2)), including any revision required by
18 that section).

19 “(b) ESTABLISHMENT OF PROGRAM.—The Adminis-
20 trator shall establish a microenterprise technical assist-
21 ance and capacity building grant program to provide as-
22 sistance from the Administration in the form of grants
23 to qualified organizations in accordance with this section.

24 “(c) USES OF ASSISTANCE.—A qualified organization
25 shall use grants made under this section—

1 “(1) to provide training and technical assist-
2 ance to disadvantaged entrepreneurs;

3 “(2) to provide training and capacity building
4 services to microenterprise development organiza-
5 tions and programs and groups of such organiza-
6 tions to assist such organizations and programs in
7 developing microenterprise training and services;

8 “(3) to aid in researching and developing the
9 best practices in the field of microenterprise and
10 technical assistance programs for disadvantaged en-
11 trepreneurs;

12 “(4) to provide training and technical assist-
13 ance to disadvantaged Native American entre-
14 preneurs and prospective entrepreneurs; and

15 “(5) for such other activities as the Adminis-
16 trator determines are consistent with the purposes of
17 this section.

18 “(d) QUALIFIED ORGANIZATIONS.—For purposes of
19 eligibility for assistance under this section, a qualified or-
20 ganization shall be—

21 “(1) a nonprofit microenterprise development
22 organization or program (or a group or collaborative
23 thereof) that has a demonstrated record of delivering
24 microenterprise services to disadvantaged entre-
25 preneurs;

1 “(2) an intermediary;

2 “(3) a microenterprise development organiza-
3 tion or program that is accountable to a local com-
4 munity, working in conjunction with a State or local
5 government or Indian tribe; or

6 “(4) an Indian tribe acting on its own, if the
7 Indian tribe certifies that no private organization or
8 program referred to in this subsection exists within
9 its jurisdiction.

10 “(e) ALLOCATION OF ASSISTANCE; SUBGRANTS.—

11 “(1) ALLOCATION OF ASSISTANCE.—

12 “(A) IN GENERAL.—The Administrator
13 shall allocate assistance from the Administra-
14 tion under this section to ensure that—

15 “(i) activities described in subsection
16 (c)(1) are funded using not less than 75
17 percent of amounts made available for
18 such assistance; and

19 “(ii) activities described in subsection
20 (c)(2) are funded using not less than 15
21 percent of amounts made available for
22 such assistance.

23 “(B) LIMIT ON INDIVIDUAL ASSISTANCE.—

24 No single person may receive more than 10 per-

1 cent of the total funds appropriated under this
2 section in a single fiscal year.

3 “(2) TARGETED ASSISTANCE.—The Adminis-
4 trator shall ensure that not less than 50 percent of
5 the grants made under this section are used to ben-
6 efit very low-income persons, including those resid-
7 ing on Indian reservations.

8 “(3) SUBGRANTS AUTHORIZED.—

9 “(A) IN GENERAL.—A qualified organiza-
10 tion receiving assistance under this section may
11 provide grants using that assistance to qualified
12 small and emerging microenterprise organiza-
13 tions and programs, subject to such rules and
14 regulations as the Administrator determines to
15 be appropriate.

16 “(B) LIMIT ON ADMINISTRATIVE EX-
17 PENSES.—Not more than 7.5 percent of assist-
18 ance received by a qualified organization under
19 this section may be used for administrative ex-
20 penses in connection with the making of sub-
21 grants under subparagraph (A).

22 “(4) DIVERSITY.—In making grants under this
23 section, the Administrator shall ensure that grant
24 recipients include both large and small microenter-

prise organizations, serving urban, rural, and Indian tribal communities serving diverse populations.

“(5) PROHIBITION ON PREFERENTIAL CONSIDERATION OF CERTAIN ADMINISTRATION PROGRAM PARTICIPANTS.—In making grants under this section, the Administrator shall ensure that any application made by a qualified organization that is a participant in the program established under section 7(m) does not receive preferential consideration over applications from other qualified organizations that are not participants in such program.

“(f) MATCHING REQUIREMENTS.—

“(1) IN GENERAL.—Financial assistance under this section shall be matched with funds from sources other than the Federal Government on the basis of not less than 50 percent of each dollar provided by the Administration.

“(2) SOURCES OF MATCHING FUNDS.—Fees, grants, gifts, funds from loan sources, and in-kind resources of a grant recipient from public or private sources may be used to comply with the matching requirement in paragraph (1).

“(3) EXCEPTION.—

“(A) IN GENERAL.—In the case of an applicant for assistance under this section with se-

1 vere constraints on available sources of match-
2 ing funds, the Administrator may reduce or
3 eliminate the matching requirements of para-
4 graph (1).

5 “(B) LIMITATION.—Not more than 10 per-
6 cent of the total funds made available from the
7 Administration in any fiscal year to carry out
8 this section may be excepted from the matching
9 requirements of paragraph (1), as authorized by
10 subparagraph (A) of this paragraph.

11 “(g) APPLICATIONS FOR ASSISTANCE.—An applica-
12 tion for assistance under this section shall be submitted
13 in such form and in accordance with such procedures as
14 the Administrator shall establish.

15 “(h) RECORDKEEPING AND REPORTING.—

16 “(1) IN GENERAL.—Each organization that re-
17 ceives assistance from the Administration under this
18 section shall—

19 “(A) submit to the Administration not less
20 than once in every 18-month period, financial
21 statements audited by an independent certified
22 public accountant;

23 “(B) submit an annual report to the Ad-
24 ministration on its activities; and

1 “(C) keep such records as may be nec-
2 essary to disclose the manner in which any as-
3 sistance under this section is used.

4 “(2) ACCESS.—The Administration shall have
5 access upon request, for the purposes of determining
6 compliance with this section, to any records of any
7 organization that receives assistance from the Ad-
8 ministration under this section.

9 “(3) DATA COLLECTION.—Each organization
10 that receives assistance from the Administration
11 under this section shall collect information relating
12 to, as applicable—

13 “(A) the number of individuals counseled
14 or trained;

15 “(B) the number of hours of counseling
16 provided;

17 “(C) the number of startup small business
18 concerns formed;

19 “(D) the number of small business con-
20 cerns expanded;

21 “(E) the number of low-income individuals
22 counseled or trained; and

23 “(F) the number of very low-income indi-
24 viduals counseled or trained.”.

1 (b) CONFORMING REPEAL.—Subtitle C of title I of
 2 the Riegle Community Development and Regulatory Im-
 3 provement Act of 1994 (15 U.S.C. 6901 note) is repealed.

4 (c) REFERENCES.—All references in Federal law,
 5 other than subsection (d) of this section, to the “Program
 6 for Investment in Microentrepreneurs Act of 1999” or the
 7 “PRIME Act” shall be deemed to be references to section
 8 37 of the Small Business Act, as added by this section.

9 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
 10 tion or the amendments made by this section shall affect
 11 any grant or assistance provided under the Program for
 12 Investment in Microentrepreneurs Act of 1999, before the
 13 date of enactment of this Act, and any such grant or as-
 14 sistance shall be subject to the Program for Investment
 15 in Microentrepreneurs Act of 1999, as in effect on the day
 16 before the date of enactment of this Act.

17 **TITLE II—INTERMEDIARY** 18 **LENDING PILOT PROGRAM**

19 **SEC. 201. FINDINGS.**

20 Congress finds the following:

21 (1) Small and emerging businesses, particularly
 22 startups and businesses that lack sufficient or con-
 23 ventional collateral, continue to face barriers access-
 24 ing midsize loans in amounts between \$35,000 and
 25 \$200,000, with affordable terms and conditions.

1 (2) Consolidation in the banking industry has
2 resulted in a decrease in the number of small, locally
3 controlled banks with not more than \$100,000,000
4 in assets and has changed the method by which
5 banks make small business credit decisions with—

6 (A) credit scoring techniques replacing re-
7 lationship-based lending, which often works to
8 the disadvantage of small or start-up businesses
9 that do not conform with a bank's standardized
10 credit formulas; and

11 (B) less flexible terms and conditions,
12 which are often necessary for small and emerg-
13 ing businesses.

14 (3) In the environment described in paragraphs
15 (1) and (2), nonprofit intermediary lenders, includ-
16 ing community development corporations, provide fi-
17 nancial resources that supplement the small business
18 lending and investments of a bank by—

19 (A) providing riskier, up front, or subordi-
20 nated capital;

21 (B) offering flexible terms and under-
22 writing procedures; and

23 (C) providing technical assistance to busi-
24 nesses in order to reduce the transaction costs
25 and risk exposure of banks.

1 (4) Several Federal programs, including the
2 Microloan Program under section 7(m) of the Small
3 Business Act (15 U.S.C. 636(m)) and the Inter-
4 mediary Relending Program of the Department of
5 Agriculture, have demonstrated the effectiveness of
6 working through nonprofit intermediaries to address
7 the needs of small business concerns that are unable
8 to access capital through conventional sources.

9 (5) More than 1,000 nonprofit intermediary
10 lenders in the United States are—

11 (A) successfully providing financial and
12 technical assistance to small and emerging busi-
13 nesses;

14 (B) working with banks and other lenders
15 to leverage additional capital for their business
16 borrowers; and

17 (C) creating employment opportunities for
18 low-income individuals through their lending
19 and business development activities.

20 **SEC. 202. SMALL BUSINESS INTERMEDIARY LENDING PILOT**
21 **PROGRAM.**

22 (a) IN GENERAL.—Section 7 of the Small Business
23 Act (15 U.S.C. 636) is amended by inserting after sub-
24 section (k) the following:

1 “(l) SMALL BUSINESS INTERMEDIARY LENDING
2 PROGRAM.—

3 “(1) DEFINITIONS.—In this subsection—

4 “(A) the term ‘intermediary’ means a pri-
5 vate, nonprofit entity that seeks to borrow, or
6 has borrowed, funds from the Administration to
7 provide midsize loans to small business con-
8 cerns under this subsection, including—

9 “(i) a private, nonprofit community
10 development corporation;

11 “(ii) a consortium of private, non-
12 profit organizations or nonprofit commu-
13 nity development corporations;

14 “(iii) a quasi-governmental economic
15 development entity (such as a planning
16 and development district), other than a
17 State, county, or municipal government;
18 and

19 “(iv) an agency of or nonprofit entity
20 established by a Native American Tribal
21 Government; and

22 “(B) the term ‘midsize loan’ means a fixed
23 rate loan of not less than \$35,000 and not
24 more than \$200,000, made by an intermediary

1 to a startup, newly established, or growing
2 small business concern.

3 “(2) ESTABLISHMENT.—There is established a
4 3-year pilot program to be know as the ‘Small Busi-
5 ness Intermediary Lending Pilot Program’ (referred
6 to in this subsection as the ‘Program’), under which
7 the Administrator may provide direct loans to eligi-
8 ble intermediaries, for the purpose of making fixed
9 interest rate midsize loans to startup, newly estab-
10 lished, and growing small business concerns.

11 “(3) PURPOSES.—The purposes of the Program
12 are—

13 “(A) to assist small business concerns in
14 those areas suffering from a lack of credit due
15 to poor economic conditions;

16 “(B) to create employment opportunities
17 for low-income individuals;

18 “(C) to establish a midsize loan program
19 to be administered by the Administrator to pro-
20 vide loans to eligible intermediaries to enable
21 such intermediaries to provide midsize loans,
22 particularly loans in amounts averaging not
23 more than \$150,000, to startup, newly estab-
24 lished, or growing small business concerns for

1 working capital or the acquisition of materials,
2 supplies, or equipment;

3 “(D) to test the effectiveness of nonprofit
4 intermediaries—

5 “(i) as a delivery system for a midsize
6 loan program; and

7 “(ii) in addressing the credit needs of
8 small business concerns and leveraging
9 other sources of credit; and

10 “(E) to determine the advisability and fea-
11 sibility of implementing a midsize loan program
12 nationwide.

13 “(4) ELIGIBILITY FOR PARTICIPATION.—An
14 intermediary shall be eligible to receive loans under
15 the Program if the intermediary has not less than
16 1 year of experience making loans to startup, newly
17 established, or growing small business concerns.

18 “(5) LOANS TO INTERMEDIARIES.—

19 “(A) APPLICATION.—Each intermediary
20 desiring a loan under this subsection shall sub-
21 mit an application to the Administrator that de-
22 scribes—

23 “(i) the type of small business con-
24 cerns to be assisted;

1 “(ii) the size and range of loans to be
2 made;

3 “(iii) the geographic area to be served
4 and its economic, poverty, and unemploy-
5 ment characteristics;

6 “(iv) the status of small business con-
7 cerns in the area to be served and an anal-
8 ysis of the availability of credit; and

9 “(v) the qualifications of the applicant
10 to carry out this subsection.

11 “(B) LOAN LIMITS.—Notwithstanding sub-
12 section (a)(3), no loan may be made to an
13 intermediary under this subsection if the total
14 amount outstanding and committed to the
15 intermediary from the business loan and invest-
16 ment fund established by this Act would, as a
17 result of such loan, exceed \$1,000,000 during
18 the participation of the intermediary in the Pro-
19 gram.

20 “(C) LOAN DURATION.—Loans made by
21 the Administrator under this subsection shall be
22 for a maximum term of 20 years.

23 “(D) APPLICABLE INTEREST RATES.—
24 Loans made by the Administrator to an inter-

mediary under the Program shall bear an annual interest rate equal to 1.00 percent.

“(E) FEES; COLLATERAL.—The Administrator may not charge any fees or require collateral with respect to any loan made to an intermediary under this subsection.

“(F) LEVERAGE.—Any loan to a small business concern under this subsection shall not exceed 75 percent of the total cost of the project funded by such loan, with the remaining funds being leveraged from other sources, including—

“(i) banks or credit unions;

“(ii) community development financial institutions; and

“(iii) other sources with funds available to the intermediary lender.

“(G) DELAYED PAYMENTS.—The Administrator shall not require the repayment of principal or interest on a loan made to an intermediary under the Program during the first 2 years of the loan.

“(6) PROGRAM FUNDING FOR MIDSIZE LOANS.—

1 “(A) NUMBER OF PARTICIPANTS.—Under
 2 the Program, the Administrator may provide
 3 loans, on a competitive basis, to not more than
 4 20 intermediaries.

5 “(B) EQUITABLE DISTRIBUTION OF INTER-
 6 MEDIARIES.—The Administrator shall select
 7 and provide funding under the Program to such
 8 intermediaries as will ensure geographic diver-
 9 sity and representation of urban and rural com-
 10 munities.

11 “(7) REPORT TO CONGRESS.—

12 “(A) ANNUAL REPORT.—Not later than 12
 13 months after the date of enactment of the
 14 Small Business Lending Reauthorization and
 15 Improvements Act of 2007, and annually there-
 16 after, the Administrator shall submit a report
 17 containing an evaluation of the effectiveness of
 18 the Program to—

19 “(i) the Committee on Small Business
 20 and Entrepreneurship of the Senate; and

21 “(ii) the Committee on Small Busi-
 22 ness of the House of Representatives.

23 “(B) CONTENTS.—Each report submitted
 24 under subparagraph (A) shall include, for the

1 12-month period before the date of that re-
2 port—

3 “(i) the numbers and locations of the
4 intermediaries receiving funds to provide
5 midsize loans;

6 “(ii) the amounts of each loan to an
7 intermediary;

8 “(iii) the numbers and amounts of
9 midsize loans made by intermediaries to
10 small business concerns;

11 “(iv) the repayment history of each
12 intermediary;

13 “(v) a description of the loan portfolio
14 of each intermediary, including the extent
15 to which it provides midsize loans to small
16 business concerns in rural and economi-
17 cally depressed areas;

18 “(vi) an estimate of the number of
19 low-income individuals who have been em-
20 ployed as a direct result of the Program;
21 and

22 “(vii) any recommendations for legis-
23 lative changes that would improve the op-
24 eration of the Program.

1 “(8) TERMINATION.—The authority to make
 2 loans under this subsection shall terminate 3 years
 3 after the date of enactment of the Small Business
 4 Lending Reauthorization and Improvements Act of
 5 2007.”.

6 (b) RULEMAKING AUTHORITY.—Not later than 180
 7 days after the date of enactment of this Act, the Adminis-
 8 trator shall issue regulations to carry out section 7(l) of
 9 the Small Business Act, as added by subsection (a).

10 (c) AUTHORIZATION OF APPROPRIATIONS.—

11 (1) IN GENERAL.—There are authorized to be
 12 appropriated to the Administrator such sums as may
 13 be necessary for each of fiscal years 2008 through
 14 2010 to provide \$20,000,000 in loans under section
 15 7(l) of the Small Business Act, as added by sub-
 16 section (a).

17 (2) AVAILABILITY.—Any amounts appropriated
 18 pursuant to paragraph (1) shall remain available
 19 until expended.

20 **TITLE III—7(a) LOAN PROGRAM**

21 **SEC. 301. PREFERRED LENDERS PROGRAM.**

22 (a) IN GENERAL.—Section 7(a) of the Small Busi-
 23 ness Act (15 U.S.C. 636(a)) is amended by adding at the
 24 end the following:

25 “(32) PREFERRED LENDERS PROGRAM.—

1 “(A) DEFINITIONS.—In this paragraph—

2 “(i) the term ‘national preferred lend-
3 er’ means a preferred lender authorized to
4 operate in any area served by an office of
5 the Administration under subparagraph
6 (G);

7 “(ii) the term ‘preferred lender’
8 means a qualified lender participating in
9 the program;

10 “(iii) the term ‘program’ means the
11 Preferred Lenders Program established
12 under subparagraph (B); and

13 “(iv) the term ‘qualified lender’ means
14 a lender that demonstrates—

15 “(I) knowledge of and proficiency
16 in the requirements of the program
17 under this subsection;

18 “(II) the ability to process, close,
19 service, and liquidate loans;

20 “(III) the ability to develop and
21 analyze complete loan packages; and

22 “(IV) a satisfactory performance
23 history of participation in the pro-
24 gram under this subsection.

1 “(B) ESTABLISHMENT.—There is estab-
2 lished a Preferred Lenders Program under
3 which the Administrator may authorize quali-
4 fied lenders to make and service loans.

5 “(C) APPLICATION.—A qualified lender de-
6 siring to participate in the program shall sub-
7 mit an application at such time, in such man-
8 ner, and accompanied by such information as
9 the Administrator shall establish.

10 “(D) DELEGATED AUTHORITY.—The Ad-
11 ministrator shall authorize a preferred lender to
12 take actions relating to loan servicing on behalf
13 of the Administrator, including—

14 “(i) determining eligibility and credit-
15 worthiness and loan monitoring, collection,
16 and liquidation;

17 “(ii) authority to make and close
18 loans with a guarantee from the Adminis-
19 trator without obtaining the prior specific
20 approval of the Administrator; and

21 “(iii) authority to service and liq-
22 uidate such loans without obtaining the
23 prior specific approval of the Administrator
24 for routine servicing and liquidation activi-
25 ties.

1 “(E) AREA OF OPERATIONS.—The Admin-
 2 istrator shall designate the area for which a
 3 preferred lender may exercise the authority
 4 under subparagraph (D).

5 “(F) CONFLICT.—A preferred lender shall
 6 not take any action creating an actual or appar-
 7 ent conflict of interest.

8 “(G) NATIONAL OPERATION.—

9 “(i) IN GENERAL.—A preferred lender
 10 may request designation as a national pre-
 11 ferred lender by the Administrator, and,
 12 upon such designation, shall have the au-
 13 thority to operate in any area served by an
 14 office of the Administration.

15 “(ii) ELIGIBILITY.—The Administra-
 16 tion shall designate a preferred lender as a
 17 national preferred lender if the Adminis-
 18 trator determines that preferred lender
 19 has—

20 “(I) satisfactorily operated as a
 21 preferred lender in areas encom-
 22 passing all or part of the territory in
 23 not fewer than 5 district offices of the
 24 Administration for a minimum of 3
 25 years in each territory;

1 “(II) centralized loan approval,
2 servicing, and liquidation functions
3 and processes that are satisfactory to
4 the Administration;

5 “(III) uniform written policies
6 and procedures;

7 “(IV) a currency rate that is not
8 less than the Administration’s na-
9 tional average currency rate for all
10 loans under this subsection;

11 “(V) a currency rate for loans
12 made under this subsection that is not
13 less than the Administration’s na-
14 tional average currency rate for loans
15 made under this subsection;

16 “(VI) a default rate that is not
17 more than the Administration’s na-
18 tional average default rate for loans
19 made under this subsection; and

20 “(VII) received, in the most re-
21 cent audit and review as a preferred
22 lender conducted by the Adminis-
23 trator, a rating that is acceptable or
24 acceptable with corrective actions re-
25 quired.

1 “(H) CORRECTIVE ACTION.—If a national
 2 preferred lender fails to continue to meet the
 3 eligibility criteria under subparagraph (G)(ii),
 4 the Administrator shall notify that national pre-
 5 ferred lender of the deficiency and allow a rea-
 6 sonable period of time for that national pre-
 7 ferred lender to meet such criteria.

8 “(I) SUSPENSION OR REVOCATION.—

9 “(i) IN GENERAL.—The designation of
 10 a lender as a national preferred lender
 11 shall be suspended or revoked at any time
 12 that the Administration determines that
 13 the lender—

14 “(I) is not adhering to the rules
 15 or regulations established by the Ad-
 16 ministrator for the program; or

17 “(II) has failed to continue to
 18 meet the eligibility criteria specified in
 19 paragraph (G) or take corrective ac-
 20 tion under subparagraph (H).

21 “(ii) EFFECT.—A suspension or rev-
 22 ocation under clause (i) shall not affect
 23 any outstanding guarantee of a national
 24 preferred lender.”.

1 (b) CLERICAL AMENDMENT.—Section 7(a)(2)(C) of
 2 the Small Business Act (15 U.S.C. 636(a)(2)(C)) is
 3 amended to read as follows:

4 “(C) INTEREST RATE UNDER PREFERRED
 5 LENDERS PROGRAM.—The maximum interest
 6 rate for a loan guaranteed under the Preferred
 7 Lenders Program under paragraph (32) shall
 8 not exceed the maximum interest rate as deter-
 9 mined by the Administration, applicable to
 10 other loans guaranteed under this subsection.”.

11 (c) CONFORMING AMENDMENT.—Section 7(a)(19) of
 12 the Small Business Act (15 U.S.C. 636(a)(19)) is amend-
 13 ed by striking “the proviso in section 5(b)(7)” and insert-
 14 ing “paragraph (32)”.

15 **SEC. 302. MAXIMUM LOAN AMOUNT.**

16 Section 7(a)(3)(A) of the Small Business Act (15
 17 U.S.C. 636(a)(3)(A)) is amended by striking “\$1,500,000
 18 (or if the gross loan amount would exceed \$2,000,000”
 19 and inserting “\$2,250,000 (or if the gross loan amount
 20 would exceed \$3,000,000”.

21 **SEC. 303. MAXIMUM 504 AND 7(a) LOAN ELIGIBILITY.**

22 (a) COMBINATION FINANCING.—

23 (1) IN GENERAL.—Section 502(2) of the Small
 24 Business Investment Act of 1958 (15 U.S.C.

1 696(2)) is amended by adding at the end the fol-
 2 lowing:

3 “(C) COMBINATION FINANCING UNDER
 4 SMALL BUSINESS ACT.—Notwithstanding any
 5 other provision of law, financing under this title
 6 may be provided to a borrower in the maximum
 7 amount provided in this subsection, and a loan
 8 guarantee under section 7(a) of the Small Busi-
 9 ness Act may be provided to the same borrower
 10 in the maximum amount provided in section
 11 7(a)(3)(A) of such Act, to the extent that the
 12 borrower otherwise qualifies for such assist-
 13 ance.”.

14 (2) CONFORMING AMENDMENT.—Section
 15 7(a)(1) of the Small Business Act (15 U.S.C.
 16 636(a)(1) is amended by adding at the end the fol-
 17 lowing:

18 “(C) COMBINATION FINANCING UNDER
 19 SMALL BUSINESS INVESTMENT ACT OF 1958.—
 20 Financing under this subsection may be pro-
 21 vided to a borrower in the maximum amount as
 22 provided in subsection (b)(2) of section 502 of
 23 the Small Business Investment Act of 1958 (15
 24 U.S.C. 696).”.

(b) REPORTING.—Not later than 90 days after the date of enactment of this Act, and annually thereafter, the Administrator shall submit a report to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives that—

(1) includes the number of small business concerns that have financings under both section 7(a) of the Small Business Act (15 U.S.C. 636(a)) and title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.) during the year before the year of that report; and

(2) describes the total amount and general performance of the financings described in paragraph (1).

SEC. 304. LOAN POOLING.

Section 5(g)(1) of the Small Business Act (15 U.S.C. 634(g)(1)) is amended—

(1) by inserting “(A)” before “The Administration”;

(2) by striking the colon and all that follows and inserting a period; and

(3) by adding at the end the following:

“(B) A trust certificate issued under subparagraph (A) shall be based on, and backed by, a trust or pool ap-

1 proved by the Administrator and composed solely of the
2 guaranteed portion of such loans.

3 “(C) The interest rate on a trust certificate issued
4 under subparagraph (A) shall be either—

5 “(i) the lowest interest rate on any individual
6 loan in the pool; or

7 “(ii) the weighted average interest rate of all
8 loans in the pool, subject to such limited variations
9 in loan characteristics as the Administrator deter-
10 mines appropriate to enhance marketability of the
11 pool certificates.”.

12 **SEC. 305. ALTERNATIVE SIZE STANDARD.**

13 Section 3(a) of the Small Business Act (15 U.S.C.
14 632(a)) is amended by adding at the end the following:

15 “(5) OPTIONAL SIZE STANDARD.—

16 “(A) IN GENERAL.—The Administrator shall
17 establish an optional size standard for business loan
18 applicants under section 7(a) and development com-
19 pany loan applicants under title V of the Small
20 Business Investment Act of 1958, which uses max-
21 imum tangible net worth and average net income as
22 an alternative to the use of industry standards.

23 “(B) INTERIM RULE.—Until the date on which
24 the optional size standards established under sub-
25 paragraph (A) are in effect, the alternative size

1 standard in section 121.301(b) of title 13, Code of
 2 Federal Regulations, or any successor thereto, may
 3 be used by business loan applicants under section
 4 7(a) and development company loan applicants
 5 under title V of the Small Business Investment Act
 6 of 1958.”.

7 **SEC. 306. ALTERNATIVE VARIABLE INTEREST RATE.**

8 (a) IN GENERAL.—Section 7(a)(4)(A) of the Small
 9 Business Act (15 U.S.C. 636(a)(4)(A)) is amended by
 10 striking “prescribed by the Administration,” and insert-
 11 ing: “prescribed by the Administration, including, on vari-
 12 able rate loans, a nationally recognized prime rate of inter-
 13 est and at least 1 other index as an alternative thereto
 14 at the option of the participating lender,”.

15 (b) APPLICABILITY.—Not later than 180 days after
 16 the date of enactment of this Act, the Administrator of
 17 the Small Business Administration shall select not less
 18 than 1 alternative index under section 7(a)(4)(A) of the
 19 Small Business Act, as amended by subsection (a), and
 20 make such index available for use by participating lenders.

21 **SEC. 307. MINORITY SMALL BUSINESS DEVELOPMENT.**

22 (a) IN GENERAL.—The Small Business Act (15
 23 U.S.C. 631 et seq.) is amended by inserting after section
 24 37, as added by this Act, the following:

1 **“SEC. 38. MINORITY SMALL BUSINESS DEVELOPMENT.**

2 “(a) OFFICE OF MINORITY SMALL BUSINESS DE-
 3 VELOPMENT.—There is established in the Administration
 4 an Office of Minority Small Business Development, which
 5 shall be administered by the Associate Administrator for
 6 Minority Small Business Development (in this section re-
 7 ferred to as the ‘Associate Administrator’) appointed
 8 under section 4(b)(1).

9 “(b) ASSOCIATE ADMINISTRATOR FOR MINORITY
 10 SMALL BUSINESS DEVELOPMENT.—The Associate Ad-
 11 ministrator—

12 “(1) shall be either—

13 “(A) an appointee in the Senior Executive
 14 Service who is a career appointee; or

15 “(B) an employee in the competitive serv-
 16 ice;

17 “(2) shall be responsible for the formulation,
 18 execution, and promotion of policies and programs of
 19 the Administration that provide assistance to small
 20 business concerns owned and controlled by minori-
 21 ties;

22 “(3) shall act as an ombudsman for full consid-
 23 eration of minorities in all programs of the Adminis-
 24 tration (including those under sections 7(j) and
 25 8(a));

1 “(4) shall work with the Associate Deputy Ad-
2 ministrators for Capital Access to increase the pro-
3 portion of loans and loan dollars, and investments
4 and investment dollars, going to minorities through
5 the finance programs under this Act and the Small
6 Business Investment Act of 1958 (including sub-
7 sections (a), (b), and (m) of section 7 of this Act
8 and the programs under part A and B of title III
9 and title V of the Small Business Investment Act of
10 1958);

11 “(5) shall work with the Associate Deputy Ad-
12 ministrators for Entrepreneurial Development to in-
13 crease the proportion of counseling and training that
14 goes to minorities through the entrepreneurial devel-
15 opment programs of the Administration;

16 “(6) shall work with the Associate Deputy Ad-
17 ministrators for Government Contracting and Minor-
18 ity Enterprise Development to increase the propor-
19 tion of contracts, including through the Small Busi-
20 ness Innovation Research Program and the Small
21 Business Technology Transfer Program, to minori-
22 ties;

23 “(7) shall work with the partners of the Admin-
24 istration, trade associations, and business groups to
25 identify and carry out policies and procedures to

1 more effectively market the resources of the Admin-
2 istration to minorities;

3 “(8) shall work with the Office of Field Oper-
4 ations to ensure that district offices and regional of-
5 fices have adequate staff, funding, and other re-
6 sources to market the programs of the Administra-
7 tion to meet the objectives described in paragraphs
8 (4) through (7); and

9 “(9) shall report to and be responsible directly
10 to the Administrator.

11 “(c) AUTHORIZATION OF APPROPRIATIONS.—There
12 are authorized to be appropriated to carry out this sec-
13 tion—

14 “(1) \$5,000,000 for fiscal year 2007;

15 “(2) \$5,000,000 for fiscal year 2008;

16 “(3) \$5,000,000 for fiscal year 2009; and

17 “(4) \$5,000,000 for fiscal year 2010.”.

18 (b) CONFORMING AMENDMENTS.—Section 4(b)(1) of
19 the Small Business Act (15 U.S.C. 633(b)(1)) is amended
20 in sixth sentence, by striking “Minority Small Business
21 and Capital Ownership Development” and all that follows
22 through the end of the sentence and inserting “Minority
23 Small Business Development.”.

1 **SEC. 308. LOWERING OF FEES.**

2 Section 7(a)(23) of the Small Business Act (15
3 U.S.C. 636(a)(23)) is amended by striking subparagraph
4 (C) and inserting the following:

5 “(C) LOWERING OF FEES.—

6 “(i) IN GENERAL.—For loan guaran-
7 tees made or approved in each full fiscal
8 year after the date of enactment of the
9 Small Business Lending Reauthorization
10 and Improvements Act of 2007, if the fees
11 paid by all small business borrowers and
12 by lenders for guarantees under this sub-
13 section, or the sum of such fees plus any
14 funds made available for the purpose of re-
15 ducing fees for loans under this subsection,
16 as applicable, is more than the amount
17 necessary to equal the cost to the Adminis-
18 tration of making such guarantees, the Ad-
19 ministrator shall reduce fees paid by small
20 business borrowers and lenders under
21 clauses (i) through (iv) of paragraph
22 (18)(A) and subparagraph (A) of this
23 paragraph.

24 “(ii) MAXIMUM.—The fees paid by
25 small business borrowers and lenders for
26 guarantees under this subsection may not

1 be increased above the maximum level au-
 2 thorized under the amendments made by
 3 division K of the Consolidated Appropria-
 4 tions Act, 2005 (Public Law 108–447; 118
 5 Stat. 3441).”.

6 **SEC. 309. INTERNATIONAL TRADE LOANS.**

7 (a) IN GENERAL.—Section 7(a)(3)(B) of the Small
 8 Business Act (15 U.S.C. 636(a)(3)(B)) is amended by
 9 striking “\$1,750,000, of which not more than
 10 \$1,250,000” and inserting “\$2,750,000 (or if the gross
 11 loan amount would exceed \$3,670,000), of which not more
 12 than \$2,000,000”.

13 (b) WORKING CAPITAL.—Section 7(a)(16)(A) of the
 14 Small Business Act (15 U.S.C. 636(a)(16)(A)) is amend-
 15 ed—

16 (1) in the matter preceding clause (i), by strik-
 17 ing “in—” and inserting “—”;

18 (2) in clause (i)—

19 (A) by inserting “in” after “(i)”; and

20 (B) by striking “or” at the end;

21 (3) in clause (ii)—

22 (A) by inserting “in” after “(ii)”; and

23 (B) by striking the period and inserting “;
 24 or”; and

25 (4) by adding at the end the following:

1 “(iii) by providing working capital.”.

2 (c) COLLATERAL.—Section 7(a)(16)(B) of the Small
3 Business Act (15 U.S.C. 636(a)(16)(B)) is amended—

4 (1) by striking “Each loan” and inserting the
5 following:

6 “(i) IN GENERAL.—Except as pro-
7 vided in clause (ii), each loan”; and

8 (2) by adding at the end the following:

9 “(ii) EXCEPTION.—A loan under this
10 paragraph may be secured by a second lien
11 position on the property or equipment fi-
12 nanced by the loan or on other assets of
13 the small business concern, if the Adminis-
14 trator determines such lien provides ade-
15 quate assurance of the payment of such
16 loan.”.

17 (d) REFINANCING.—Section 7(a)(16)(A)(ii) of the
18 Small Business Act (15 U.S.C. 636(a)(16)(A)(ii)), as
19 amended by this section, is amended by inserting “, in-
20 cluding any debt that qualifies for refinancing under any
21 other provision of this subsection” before the semicolon.

22 **SEC. 310. RURAL LENDING OUTREACH PROGRAM.**

23 Section 7(a) of the Small Business Act (15 U.S.C.
24 636(a)), as amended by this Act, is amended—

25 (1) by striking paragraph (25)(C); and

1 (2) by adding at the end the following:

2 “(33) RURAL LENDING OUTREACH PROGRAM.—

3 “(A) IN GENERAL.—The Administrator
4 shall carry out a rural lending outreach pro-
5 gram to provide not more than an 85 percent
6 guaranty for loans of not more than \$250,000.
7 The program shall be carried out only through
8 lenders located in rural areas (as the term
9 ‘rural’ is defined in section 501(f) of the Small
10 Business Investment Act of 1958 (15 U.S.C.
11 695(f)).

12 “(B) LOAN TERMS.—For a loan made
13 through the program under this paragraph—

14 “(i) the Administrator shall approve
15 or disapprove the loan within 36 hours of
16 the time the Administrator receives the ap-
17 plication;

18 “(ii) the program shall use abbre-
19 viated application and documentation re-
20 quirements; and

21 “(iii) minimum credit standards, as
22 the Administrator considers necessary to
23 limit the rate of default on loans made
24 under the program, shall apply.”.

1 **TITLE IV—CERTIFIED DEVELOP-**
 2 **MENT COMPANIES; 504 LOAN**
 3 **PROGRAM**

4 **SEC. 401. DEVELOPMENT COMPANY LOAN PROGRAMS.**

5 (a) TITLE OF PROGRAM.—Title V of the Small Busi-
 6 ness Investment Act of 1958 (15 U.S.C. 695 et seq.) is
 7 amended by adding at the end the following:

8 **“SEC. 511. PROGRAM TITLE.**

9 “(a) IN GENERAL.—Except as provided in subsection
 10 (b), the programs authorized by this title shall be known
 11 collectively as the ‘Local Development Business Loan Pro-
 12 gram’. The Administrator may refer to such program as
 13 the ‘504 Loan Program’, until such usage is no longer
 14 necessary.

15 “(b) EXISTING NAME.—Participants in the Local
 16 Development Business Loan Program may continue to
 17 refer to such program as ‘the 504 Loan Program’.”.

18 (b) EXISTING MATERIALS.—The Administrator may
 19 use informational materials created, or that were in the
 20 process of being created, before the date of enactment of
 21 this Act that do not refer to a program under title V of
 22 the Small Business Investment Act of 1958 (15 U.S.C.
 23 695 et seq.) as the “Local Development Business Loan
 24 Program”.

1 (c) NEW MATERIALS.—Any informational materials
 2 created by the Administrator on or after the date of enact-
 3 ment of this Act shall refer to any program under title
 4 V of the Small Business Investment Act of 1958 (15
 5 U.S.C. 695 et seq.) as the “Local Development Business
 6 Loan Program”, except that informational materials may
 7 refer to such program as the “504 Loan Program”, until
 8 such usage is no longer necessary.

9 **SEC. 402. LOAN LIQUIDATIONS.**

10 Section 510 of the Small Business Investment Act
 11 of 1958 (15 U.S.C. 697g) is amended—

12 (1) by redesignating subsection (e) as sub-
 13 section (g); and

14 (2) by inserting after subsection (d) the fol-
 15 lowing:

16 “(e) PARTICIPATION.—

17 “(1) IN GENERAL.—Any qualified State or local
 18 development company which elects not to apply for
 19 authority to foreclose and liquidate defaulted loans
 20 under this section, or which the Administrator deter-
 21 mines to be ineligible for such authority, shall con-
 22 tract with a qualified third-party to perform fore-
 23 closure and liquidation of defaulted loans in its port-
 24 folio. The contract shall be contingent upon approval
 25 by the Administrator with respect to the qualifica-

tions of the contractor and the terms and conditions of liquidation activities.

“(2) COMMENCEMENT.—This subsection does not require any development company to liquidate defaulted loans until the Administrator has adopted and implemented a program to compensate and reimburse development companies, as provided under subsection (f).

“(f) COMPENSATION AND REIMBURSEMENT.—

“(1) REIMBURSEMENT OF EXPENSES.—The Administrator shall reimburse each qualified State or local development company for all expenses paid by such company as part of the foreclosure and liquidation activities, if the expenses—

“(A) were—

“(i) approved in advance by the Administrator, either specifically or generally;
or

“(ii) incurred by the development company on an emergency basis without prior approval from the Administrator, if the Administrator determines that the expenses were reasonable and appropriate;
and

1 “(B) are submitted by the development
 2 company to the Administrator not later than 3
 3 years after the date of the purchase of the de-
 4 benture by the Administrator.

5 “(2) COMPENSATION FOR RESULTS.—

6 “(A) DEVELOPMENT.—The Administrator
 7 shall develop a schedule to compensate and pro-
 8 vide an incentive to qualified State or local de-
 9 velopment companies that foreclose and liq-
 10 uidate defaulted loans.

11 “(B) CRITERIA.—The schedule required
 12 under this paragraph shall—

13 “(i) be based on a percentage of the
 14 net amount recovered, but shall not exceed
 15 a maximum amount; and

16 “(ii) not apply to any foreclosure
 17 which is conducted under a contract be-
 18 tween a development company and a quali-
 19 fied third party to perform the foreclosure
 20 and liquidation.”.

21 **SEC. 403. ADDITIONAL EQUITY INJECTIONS.**

22 Section 502(3)(B)(ii) of the Small Business Invest-
 23 ment Act of 1958 (15 U.S.C. 696(3)(B)(ii)) is amended
 24 to read as follows:

1 “(ii) FUNDING FROM INSTITU-
2 TIONS.—If a small business concern—

3 “(I) provides the minimum con-
4 tribution required under subpara-
5 graph (C), not less than 50 percent of
6 the total cost of any project financed
7 under clause (i), (ii), or (iii) of sub-
8 paragraph (C) shall come from the in-
9 stitutions described in subclauses (I),
10 (II), and (III) of clause (i); and

11 “(II) provides more than the
12 minimum contribution required under
13 subparagraph (C), any excess con-
14 tribution may be used to reduce the
15 amount required from the institutions
16 described in subclauses (I), (II), and
17 (III) of clause (i), except that the
18 amount from such institutions may
19 not be reduced to an amount that is
20 less than the amount of the loan made
21 by the Administrator.”.

22 **SEC. 404. BUSINESSES IN LOW-INCOME AREAS.**

23 (a) GOALS.—Section 501(d)(3)(A) of the Small Busi-
24 ness Investment Act of 1958 (15 U.S.C. 695(d)(3)(A)) is
25 amended by inserting after “business district revitaliza-

tion,” the following: “or expansion of businesses in low-income communities which would be eligible for a new markets tax credit under section 45D(a) of the Internal Revenue Code of 1986, or implementing regulations issued thereunder.”.

(b) LOAN AMOUNT.—Section 502 of the Small Business Investment Act of 1958 (15 U.S.C. 696) is amended by adding at the end the following:

“(7) LOW-INCOME GEOGRAPHIC AREAS.—Notwithstanding any other provision of law, a loan under this section for use in a low-income geographic area (as that term is defined in section 351) may be for not more than \$4,000,000.”.

SEC. 405. COMBINATIONS OF CERTAIN GOALS.

Section 501(e) of the Small Business Investment Act of 1958 (15 U.S.C. 695(e)) is amended by adding at the end the following:

“(7) A small business concern that is unconditionally owned by more than 1 individual, or a corporation, the stock of which is owned by more than 1 individual, shall be deemed to have achieved a public policy goal required under subsection (d)(3) if a combined ownership share of not less than 51 percent is held by individuals who are in 1 of, or a combination of, the groups described in subparagraph (C) or (E) of subsection (d)(3).”.

1 **SEC. 406. REFINANCING UNDER THE LOCAL DEVELOPMENT**
2 **BUSINESS LOAN PROGRAM.**

3 Section 502 of the Small Business Investment Act
4 of 1958 (15 U.S.C. 696) is amended by adding at the end
5 the following:

6 “(7) PERMISSIBLE DEBT REFINANCING.—

7 “(A) IN GENERAL.—Any financing ap-
8 proved under this title may include a limited
9 amount of debt refinancing.

10 “(B) EXPANSIONS.—If the project involves
11 expansion of a small business concern which
12 has existing indebtedness collateralized by fixed
13 assets, any amount of existing indebtedness
14 that does not exceed $\frac{1}{2}$ of the project cost of
15 the expansion may be refinanced and added to
16 the expansion cost, if—

17 “(i) the proceeds of the indebtedness
18 were used to acquire land, including a
19 building situated thereon, to construct a
20 building thereon, or to purchase equip-
21 ment;

22 “(ii) the borrower has been current on
23 all payments due on the existing debt for
24 not less than 1 year preceding the date of
25 refinancing; and

1 “(iii) the financing under section 504
 2 will provide better terms or rate of interest
 3 than exists on the debt at the time of refi-
 4 nancing.”.

5 **SEC. 407. TECHNICAL CORRECTION.**

6 Section 501(e)(2) of the Small Business Investment
 7 Act of 1958 (15 U.S.C. 695(e)(2)) is amended by striking
 8 “outstanding”.

9 **SEC. 408. DEFINITIONS FOR THE SMALL BUSINESS INVEST-**
 10 **MENT ACT OF 1958.**

11 Section 103 of the Small Business Investment Act
 12 of 1958 (15 U.S.C. 662) is amended—

13 (1) by striking paragraph (6) and inserting the
 14 following:

15 “(6) the term ‘development company’ means an
 16 entity incorporated under State law with the author-
 17 ity to promote and assist the growth and develop-
 18 ment of small business concerns in the areas in
 19 which it is authorized to operate by the Adminis-
 20 trator;”;

21 (2) in paragraph (16), by striking “and” at the
 22 end;

23 (3) in paragraph (17), by striking the period at
 24 the end and inserting “; and”; and

25 (4) by adding at the end the following:

1 “(18) the term ‘certified development company’
 2 means a development company that the Adminis-
 3 trator has certified meets the criteria of section
 4 506.”.

5 **SEC. 409. REPEAL OF SUNSET ON RESERVE REQUIRE-**
 6 **MENTS FOR PREMIER CERTIFIED LENDERS.**

7 Section 508(c)(6)(B) of the Small Business Invest-
 8 ment Act of 1958 (15 U.S.C. 697e(c)(6)(B)) is amend-
 9 ed—

10 (1) in the subparagraph heading, by striking
 11 “TEMPORARY REDUCTION” and inserting “REDUC-
 12 TION”; and

13 (2) by striking “Notwithstanding subparagraph
 14 (A), during the 2-year period beginning on the date
 15 that is 90 days after the date of enactment of this
 16 subparagraph, the” and inserting “The”.

17 **SEC. 410. CERTIFIED DEVELOPMENT COMPANIES.**

18 Section 506 of the Small Business Investment Act
 19 of 1958 (15 U.S.C. 697c) is amended—

20 (1) in the section heading, by striking “**RE-**
 21 **STRICTIONS ON DEVELOPMENT COMPANY AS-**
 22 **SISTANCE**” and inserting “**CERTIFIED DEVELOP-**
 23 **MENT COMPANIES**”; and

24 (2) by inserting before “Notwithstanding any
 25 other provision of law” the following:

1 “(a) AUTHORITY TO ISSUE DEBENTURES.—A devel-
2 opment company may issue debentures under this title if
3 the Administrator certifies that the company meets the
4 following criteria:

5 “(1) SIZE.—

6 “(A) IN GENERAL.—Except as provided in
7 subparagraph (B), the development company
8 shall be a small business concern with fewer
9 than 500 employees, and shall not be under the
10 control of any entity that does not meet the size
11 standards established by the Administrator for
12 a small business concern.

13 “(B) EXCEPTION.—Any development com-
14 pany that was certified by the Administrator
15 before December 31, 2005, may continue to
16 issue debentures under this title.

17 “(2) PRIMARY PURPOSE.—The primary purpose
18 of the development company shall be to benefit the
19 community by fostering economic development to
20 create and preserve jobs and stimulate private in-
21 vestment.

22 “(3) PRIMARY FUNCTION.—A primary function
23 of the development company shall be to accomplish
24 its purpose by providing long-term financing to
25 small business concerns under the Local Develop-

1 ment Business Loan Program. The development
2 company shall also provide or support other commu-
3 nity and local economic development activities to as-
4 sist the community.

5 “(4) NONPROFIT STATUS.—

6 “(A) IN GENERAL.—Except as provided in
7 subparagraph (B), the development company
8 shall be a nonprofit corporation.

9 “(B) EXCEPTION.—A development com-
10 pany certified by the Administrator before Jan-
11 uary 1, 1987, may continue to issue debentures
12 under this title and retain its status as a for-
13 profit enterprise.

14 “(5) GOOD STANDING.—The development com-
15 pany—

16 “(A) shall be in good standing in the State
17 in which such company is incorporated and in
18 any other State in which it conducts business;
19 and

20 “(B) shall be in compliance with all laws,
21 including taxation requirements, in the State in
22 which such company is incorporated and in any
23 other State in which it conducts business.

24 “(6) MEMBERSHIP OF DEVELOPMENT COM-
25 pany.—There shall be—

1 “(A) not fewer than 25 members of the de-
 2 velopment company (or owners or stockholders,
 3 if the corporation is a for-profit entity), none of
 4 whom may own or control more than 10 percent
 5 of the voting membership of the company; and

6 “(B) at least 1 member of the development
 7 company (none of whom is in a position to con-
 8 trol the development company) from each of the
 9 following:

10 “(i) Government organizations that
 11 are responsible for economic development.

12 “(ii) Financial institutions that pro-
 13 vide commercial long-term fixed asset fi-
 14 nancing.

15 “(iii) Community organizations that
 16 are dedicated to economic development.

17 “(iv) Businesses.

18 “(7) BOARD OF DIRECTORS.—

19 “(A) IN GENERAL.—The development com-
 20 pany shall have a board of directors.

21 “(B) MEMBERS OF BOARD.—Each member
 22 of the board of directors shall be—

23 “(i) a member of the development
 24 company; and

1 “(ii) elected by a majority of the
2 members of the development company.

3 “(C) REPRESENTATION OF ORGANIZA-
4 TIONS AND INSTITUTIONS.—

5 “(i) IN GENERAL.—There shall be at
6 least 1 member of the board of directors
7 from not fewer than 3 of the 4 organiza-
8 tions and institutions described in para-
9 graph (6)(B), none of whom is in a posi-
10 tion to control the development company.

11 “(ii) MAXIMUM PERCENTAGE.—Not
12 more than 50 percent of the members of
13 the board of directors shall be from any 1
14 of the organizations and institutions de-
15 scribed in paragraph (6)(B).

16 “(D) MEETINGS.—The board of directors
17 of the development company shall meet on a
18 regular basis to make policy decisions for such
19 company.

20 “(8) PROFESSIONAL MANAGEMENT AND
21 STAFF.—

22 “(A) IN GENERAL.—The development com-
23 pany shall have full-time professional manage-
24 ment, including a chief executive officer to man-
25 age daily operations and a full-time professional

1 staff qualified to market the Local Development
2 Business Loan Program and handle all aspects
3 of loan approval and servicing, including liq-
4 uidation, if appropriate.

5 “(B) INDEPENDENT MANAGEMENT AND
6 OPERATION.—Except as provided in paragraph
7 (9), the development company shall be inde-
8 pendently managed and operated to pursue the
9 economic development purpose of the company
10 and shall employ directly the chief executive of-
11 ficer.

12 “(9) MANAGEMENT AND OPERATION EXCEP-
13 TIONS.—

14 “(A) AFFILIATION.—A development com-
15 pany may be an affiliate of another local non-
16 profit service corporation (other than a develop-
17 ment company), a purpose of which is to sup-
18 port economic development in the area in which
19 the development company operates.

20 “(B) STAFFING.—A development company
21 may satisfy the requirement for full-time pro-
22 fessional staff under paragraph (8)(A) by con-
23 tracting for the required staffing with—

24 “(i) a local nonprofit service corpora-
25 tion;

1 “(ii) a nonprofit affiliate of a local
2 nonprofit service corporation;

3 “(iii) an entity wholly or partially op-
4 erated by a governmental agency; or

5 “(iv) another entity approved by the
6 Administrator.

7 “(C) DIRECTORS.—A development com-
8 pany and a local nonprofit service corporation
9 with which it is affiliated may have in common
10 some, but not all, members of their respective
11 board of directors.

12 “(D) RURAL AREAS.—A development com-
13 pany in a rural area may satisfy the require-
14 ments of a full-time professional staff and pro-
15 fessional management ability under paragraph
16 (8)(A) by contracting for such services with an-
17 other certified development company that—

18 “(i) has such staff and management
19 ability; and

20 “(ii) is located in the same State as
21 the development company or in a State
22 that is contiguous to the State in which
23 the development company is located.

24 “(E) PREVIOUSLY CERTIFIED.—A develop-
25 ment company that, on or before December 31,

1 2005, was certified by the Administrator and
2 had contracted with a for-profit company to
3 provide staffing and management services, may
4 continue to do so.

5 “(b) USE OF EXCESS FUNDS.—Any funds generated
6 by a certified development company from making loans
7 under section 503 or 504 that remain unexpended after
8 payment of staff, operating, and overhead expenses shall
9 be retained by the certified development company as a re-
10 serve for—

11 “(1) future operations;

12 “(2) expanding the area in which the certified
13 development company operates through the methods
14 authorized by this Act; or

15 “(3) investment in other community and local
16 economic development activity or community devel-
17 opment in the State from which such funds were
18 generated.

19 “(c) ETHICAL REQUIREMENTS.—

20 “(1) IN GENERAL.—A certified development
21 company and the officers, employees, and other staff
22 of the company shall at all times act ethically and
23 avoid activities which constitute a conflict of interest
24 or appear to constitute a conflict of interest.

1 “(2) PROHIBITED CONFLICT IN PROJECT
2 LOANS.—

3 “(A) IN GENERAL.—No certified develop-
4 ment company may—

5 “(i) recommend or approve a guar-
6 antee of a debenture by the Administrator
7 under the Local Business Development
8 Loan Program that is collateralized by a
9 second lien position on the property being
10 constructed or acquired; and

11 “(ii) provide, or be affiliated with a
12 corporation or other entity which provides,
13 financing collateralized by a first lien on
14 the same property.

15 “(B) EXCEPTION.—During the 2-year pe-
16 riod beginning on the date of enactment of the
17 Small Business Lending Reauthorization and
18 Improvements Act of 2007, a certified develop-
19 ment company that was participating as a first
20 mortgage lender for the Local Business Devel-
21 opment Loan Program in either of fiscal years
22 2004 or 2005 may continue to do so.

23 “(3) OTHER ECONOMIC DEVELOPMENT ACTIVI-
24 TIES.—It shall not be a conflict of interest for a cer-
25 tified development company to operate multiple pro-

grams to assist small business concerns as part of carrying out its economic development purpose.

“(d) MULTISTATE OPERATIONS.—

“(1) AUTHORIZATION.—Notwithstanding any other provision of law, the Administrator shall permit a certified development company to make loans in any State that is contiguous to the State of incorporation of that certified development company, only if such company—

“(A) is—

“(i) an accredited lender under section 507; or

“(ii) a premier certified lender under section 508;

“(B) has a membership that contains, from each of the States in which it operates, not fewer than 25 members who reside in that State;

“(C) has a board of directors that contains not fewer than 2 members from each State in which the company makes loans;

“(D) maintains not fewer than 1 loan committee, which shall have not fewer than 1 member from each State in which the company makes loans; and

1 “(E) submits to the Administrator, in writ-
2 ing—

3 “(i) a notice of the intention of the
4 company to make loans in multiple States;

5 “(ii) the names of the States in which
6 the company intends to make loans; and

7 “(iii) a detailed statement of how the
8 company will comply with this paragraph,
9 including a list of the members described
10 in subparagraph (B).

11 “(2) REVIEW.—The Administrator shall verify
12 whether a certified development company satisfies
13 the requirements of paragraph (1) on an expedited
14 basis and, not later than 30 days after the date on
15 which the Administrator receives the statement de-
16 scribed in paragraph (1)(E)(iii), the Administrator
17 shall determine whether such company satisfies such
18 criteria and provide notice to such company.

19 “(3) LOAN COMMITTEE PARTICIPATION.—For
20 any loan made by a company described in paragraph
21 (1), not fewer than 1 member of the loan committee
22 from the State in which the loan is to be made shall
23 participate in the review of such loan.

24 “(4) AGGREGATE ACCOUNTING.—A company
25 described in paragraph (1) may maintain an aggre-

gate accounting of all revenue and expenses of the company for purposes of this title.

“(5) SERVICE TO CERTIFIED DEVELOPMENT COMPANIES.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), an associate of a certified development company may not be an officer, director, or manager of more than 1 certified development company.

“(B) EXCEPTION.—

“(i) IN GENERAL.—Notwithstanding any other provision of law, a person who is serving on the board of directors of a certified development company may serve on the board of directors, but not as an officer, of not more than 1 additional certified development company, if—

“(I) such companies are not located in the same State;

“(II) each board of directors determines that the service by such person on such board does not constitute a conflict of interest; and

“(III) there is not a contractual relationship between—

1 “(aa) the person and such
 2 additional certified development
 3 company, except for the contract
 4 of such person to serve as a
 5 member of the board of directors
 6 of such company, if any; or

7 “(bb) the certified develop-
 8 ment companies of which such
 9 person is a member of the board
 10 of directors.

11 “(ii) MAXIMUM NUMBER OF MEM-
 12 BERS.—A certified development company
 13 may not have more than 1 member of the
 14 board of directors of such company in com-
 15 mon with any other board of directors of
 16 a certified development company.

17 “(C) DEFINITION.—As used in this para-
 18 graph, the term ‘associate of a certified develop-
 19 ment company’ has the meaning given the term
 20 ‘Associate of a CDC’ in section 120.10 of title
 21 13, Code of Federal Regulations (or any cor-
 22 responding similar regulation or ruling).

23 “(6) LOCAL JOB CREATION REQUIREMENTS.—

24 “(A) IN GENERAL.—Subject to subpara-
 25 graph (B), any certified development company

1 making loans in multiple States shall satisfy
2 any applicable job creation or retention require-
3 ments separately for each such State. Such a
4 company shall not count jobs created or re-
5 tained in 1 State towards any applicable job
6 creation or retention requirement in another
7 State.

8 “(B) APPLICABILITY.—This paragraph
9 shall apply to a certified development company
10 relating to a State beginning 2 years after the
11 date that certified development company began
12 making loans in that State.

13 “(7) CONTIGUOUS STATES.—For purposes of
14 this subsection, the States of Alaska and Hawaii
15 shall be deemed to be contiguous to any State abut-
16 ting the Pacific Ocean.

17 “(8) LOCAL ECONOMIC AREA REQUIREMENT
18 AND EXEMPTION.—

19 “(A) DEFINITION.—In this paragraph, the
20 term ‘local economic area’ means an area, as
21 determined by the Administrator, that—

22 “(i) is in a State other than the State
23 in which a development company is incor-
24 porated;

1 “(ii) shares a border with the area of
 2 operations of the development company;
 3 and

4 “(iii) is a part of a local trade area
 5 (including a city that is bisected by a State
 6 line and a metropolitan statistical area
 7 that is bisected by a State line) that is
 8 contiguous to the area of operations of the
 9 development company.

10 “(B) EXEMPTION.—An applicant operating
 11 in a local economic area shall not be considered
 12 to be operating in a multistate area, and shall
 13 not be required to comply with the require-
 14 ments for multistate operation.

15 “(e) RESTRICTIONS ON DEVELOPMENT COMPANY
 16 ASSISTANCE.—”.

17 **SEC. 411. CONFORMING AMENDMENTS.**

18 Section 503 of the Small Business Investment Act
 19 of 1958 (15 U.S.C. 697) is amended—

20 (1) in subsection (a)(1), by striking “qualified
 21 State or local development company” and inserting
 22 “certified development company”; and

23 (2) by striking subsection (e) and inserting the
 24 following:

1 “(e) SECTION 7(a) LOANS.—Notwithstanding any
 2 other provision of law, a certified development company
 3 is authorized to prepare applications for deferred partici-
 4 pation loans under section 7(a) of the Small Business Act,
 5 to service such loans, and to charge a reasonable fee for
 6 servicing such loans.”.

7 **SEC. 412. CLOSING COSTS.**

8 Section 503(b) of the Small Business Investment Act
 9 of 1958 (15 U.S.C. 697(b)) is amended by striking para-
 10 graph (4) and inserting the following:

11 “(4) the aggregate amount of such debenture
 12 does not exceed the amount of the loans to be made
 13 from the proceeds of such debenture plus, at the
 14 election of the borrower, other amounts attributable
 15 to the administrative and closing costs of such loans,
 16 except for the attorney fees of the borrower;”.

17 **SEC. 413. DEFINITION OF RURAL.**

18 Section 501 of the Small Business Investment Act
 19 of 1958 (15 U.S.C. 695) is amended by adding at the end
 20 the following:

21 “(f) As used in this title, the term ‘rural’ includes
 22 any area that is not—

23 “(1) a city or town that has a population great-
 24 er than 50,000 inhabitants; or

1 “(2) the urbanized area contiguous and adja-
2 cent to a city or town described in paragraph (1).”.

3 **SEC. 414. REGULATIONS AND EFFECTIVE DATE.**

4 (a) IN GENERAL.—Except as provided in subsection
5 (b), the Administrator shall—

6 (1) publish proposed rules to implement this
7 title and the amendments made by this title, not
8 later than 120 days after the date of enactment of
9 this Act; and

10 (2) publish such rules in final form not later
11 than 120 days after the date of publication under
12 paragraph (1).

13 (b) MULTISTATE OPERATIONS.—As soon as is prac-
14 ticable after the date of enactment of this Act, the Admin-
15 istrator shall promulgate regulations to implement section
16 506(d) of the Small Business Investment Act of 1958, as
17 added by this title. Such regulations shall become effective
18 not later than 120 days after the date of enactment of
19 this Act.

20 (c) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as otherwise specifi-
22 cally provided this title, this title and the amend-
23 ments made by this title shall become effective 240
24 days after the date of enactment of this Act, regard-

1 less of whether the Administrator has promulgated
 2 the regulations required under subsection (a).

3 (2) MULTISTATE OPERATIONS.—Section 506(d)
 4 of the Small Business Investment Act of 1958, as
 5 added by this title, shall become effective 120 days
 6 after the date of enactment of this Act, regardless
 7 of whether the Administrator has promulgated the
 8 regulations required under subsection (b).

9 **SEC. 415. LIMITATION ON TIME FOR FINAL APPROVAL OF**
 10 **COMPANIES.**

11 Section 354(d) of the Small Business Investment Act
 12 of 1958 (15 U.S.C. 689c(d)) is amended by striking “a
 13 period of time, not to exceed 2 years,” and inserting “2
 14 years”.

15 **SEC. 416. CHILD CARE LENDING PILOT PROGRAM.**

16 (a) CHILD CARE LENDING PILOT PROGRAM.—Sec-
 17 tion 502 of the Small Business Investment Act of 1958
 18 (15 U.S.C. 696), as amended by this Act, is amended—

19 (1) in the matter preceding paragraph (1)—

20 (A) by striking “The Administration” and
 21 inserting the following:

22 “(a) AUTHORIZATION.—The Administration”;

23 (B) by striking “and such loans” and in-
 24 serting “. Such loans”;

1 (C) by striking “: *Provided, however,* That
 2 the foregoing powers shall be subject to the fol-
 3 lowing restrictions and limitations:” and insert-
 4 ing a period; and

5 (D) by adding at the end the following:

6 “(b) RESTRICTIONS AND LIMITATIONS.—The author-
 7 ity under subsection (a) shall be subject to the following
 8 restrictions and limitations:”; and

9 (2) in subsection (b)(1), as so redesignated—

10 (A) by inserting after “USE OF PRO-
 11 CEEDS.—” the following:

12 “(A) IN GENERAL.—”; and

13 (B) by adding at the end the following:

14 “(B) LOANS TO SMALL, NONPROFIT CHILD
 15 CARE BUSINESSES.—

16 “(i) IN GENERAL.—Notwithstanding
 17 subsection (a), the proceeds of any loan de-
 18 scribed in subsection (a) may be used by
 19 the certified development company to as-
 20 sist a small, nonprofit child care business,
 21 if—

22 “(I) the loan is used for a sound
 23 business purpose that has been ap-
 24 proved by the Administrator;

1 “(II) each such business meets
2 all of the same eligibility requirements
3 applicable to for-profit businesses
4 under this title, except for status as a
5 for-profit business;

6 “(III) 1 or more individuals has
7 personally guaranteed the loan;

8 “(IV) each such business has
9 clear and singular title to the collat-
10 eral for the loan; and

11 “(V) each such business has suf-
12 ficient cash flow from its operations to
13 meet its obligations on the loan and
14 its normal and reasonable operating
15 expenses.

16 “(ii) LIMITATION ON VOLUME.—Not
17 more than 7 percent of the total number of
18 loans guaranteed in any fiscal year under
19 this title may be awarded under this sub-
20 paragraph.

21 “(iii) DEFINED TERM.—For purposes
22 of this subparagraph, the term ‘small, non-
23 profit child care business’ means an estab-
24 lishment that—

1 “(I) is organized in accordance
2 with section 501(c)(3) of the Internal
3 Revenue Code of 1986;

4 “(II) is primarily engaged in pro-
5 viding child care for infants, toddlers,
6 pre-school, or pre-kindergarten chil-
7 dren (or any combination thereof),
8 and may provide care for older chil-
9 dren when they are not in school, and
10 may offer pre-kindergarten edu-
11 cational programs;

12 “(III) including its affiliates, has
13 tangible net worth that does not ex-
14 ceed \$7,000,000, and has average net
15 income (excluding any carryover
16 losses) for the 2 completed fiscal years
17 preceding the date of the application
18 for assistance under this subpara-
19 graph that does not exceed
20 \$2,500,000; and

21 “(IV) is licensed as a child care
22 provider by the State, insular area, or
23 the District of Columbia, in which it
24 is located.

1 “(iv) SUNSET PROVISION.—This sub-
 2 paragraph shall cease to have effect on
 3 September 30, 2010, and shall apply to all
 4 loans authorized under this subparagraph
 5 that are applied for, approved, or dis-
 6 bursed during the period beginning on the
 7 date of enactment of this subparagraph
 8 and ending on September 30, 2010.”.

9 (b) REPORTS.—

10 (1) SMALL BUSINESS ADMINISTRATION.—

11 (A) IN GENERAL.—Not later than 6
 12 months after the date of enactment of this Act,
 13 and every 6 months thereafter until September
 14 30, 2010, the Administrator shall submit a re-
 15 port on the implementation of the program
 16 under section 502(b)(1)(B) of the Small Busi-
 17 ness Investment Act of 1958, as added by this
 18 Act, to—

19 (i) the Committee on Small Business
 20 and Entrepreneurship of the Senate; and

21 (ii) the Committee on Small Business
 22 of the House of Representatives.

23 (B) CONTENTS.—Each report under sub-
 24 paragraph (A) shall contain—

1 (i) the date on which the program is
2 implemented;

3 (ii) the date on which the rules are
4 issued under subsection (c); and

5 (iii) the number and dollar amount of
6 loans under the program applied for, ap-
7 proved, and disbursed during the 6-month
8 period ending on the date of that report—

9 (I) with respect to nonprofit child
10 care businesses; and

11 (II) with respect to for-profit
12 child care businesses.

13 (2) GOVERNMENT ACCOUNTABILITY OFFICE.—

14 (A) IN GENERAL.—Not later than March
15 31, 2010, the Comptroller General of the
16 United States shall submit a report on the child
17 care small business loans authorized by section
18 502(b)(1)(B) of the Small Business Investment
19 Act of 1958, as added by this Act, to—

20 (i) the Committee on Small Business
21 and Entrepreneurship of the Senate; and

22 (ii) the Committee on Small Business
23 of the House of Representatives.

24 (B) CONTENTS.—The report under sub-
25 paragraph (A) shall contain information gath-

1 ered during the first 2 years of the loan pro-
2 gram, including—

3 (i) an evaluation of the timeliness of
4 the implementation of the loan program;

5 (ii) a description of the effectiveness
6 and ease with which certified development
7 companies, lenders, and small business
8 concerns have participated in the loan pro-
9 gram;

10 (iii) a description and assessment of
11 how the loan program was marketed;

12 (iv) by location (State, insular area,
13 and the District of Columbia) and in total,
14 the number of child care small businesses,
15 categorized by status as a for-profit or
16 nonprofit business, that—

17 (I) applied for a loan under the
18 program (and whether it was a new or
19 expanding child care provider);

20 (II) were approved for a loan
21 under the program; and

22 (III) received a loan disburse-
23 ment under the program (and whether
24 they are a new or expanding child
25 care provider); and

1 (v) with respect to businesses de-
2 scribed under clause (iv)(III)—

3 (I) the number of such busi-
4 nesses in each State, insular area, and
5 the District of Columbia, as of the
6 year of enactment of this Act;

7 (II) the total amount loaned to
8 such businesses under the program;

9 (III) the total number of loans to
10 such businesses under the program;

11 (IV) the average loan amount
12 and term;

13 (V) the currency rate, delin-
14 quencies, defaults, and losses of the
15 loans;

16 (VI) the number and percent of
17 children served who receive subsidized
18 assistance; and

19 (VII) the number and percent of
20 children served who are low income.

21 (C) ACCESS TO INFORMATION.—

22 (i) IN GENERAL.—The Administration
23 shall collect and maintain such information
24 as may be necessary to carry out this para-
25 graph from certified development centers

1 and child care providers, and such centers
2 and providers shall comply with a request
3 for information from the Administration
4 for that purpose.

5 (ii) PROVISION OF INFORMATION TO
6 GOVERNMENT ACCOUNTABILITY OFFICE.—

7 The Administration shall provide informa-
8 tion collected under this subparagraph to
9 the Comptroller General of the United
10 States for purposes of the report required
11 by this paragraph.

12 (c) RULEMAKING AUTHORITY.—Not later than 120
13 days after the date of enactment of this Act, the Adminis-
14 trator shall issue final rules to carry out the loan program
15 authorized by section 502(b)(1)(B) of the Small Business
16 Investment Act of 1958, as added by this Act.

○